

**DEPARTMENT OF STATE REVENUE**  
**LETTER OF FINDINGS: 06-0305**  
**Utility Receipts Tax**  
**For Tax Year 2005**

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**ISSUE**

**I. Utility Receipts Tax—Bad Debt Deduction**

**Authority:** IC § 6-2.3-1-4; IC § 6-2.3-5-2

Taxpayer protests the Department's disallowance of a bad debt deduction

**STATEMENT OF FACTS**

Taxpayer is a telecommunications company. Taxpayer uses an accrual method of accounting. During 2005, Taxpayer deducted certain bad debts and included bad debts previously deducted—but eventually recovered—on its utility receipts tax return. However, the Indiana Department of Revenue ("Department") determined that Taxpayer did not report recoveries of bad debts previously deducted. The Department assessed additional tax, interest, and penalty, which Taxpayer protested.

**DISCUSSION**

**I. Utility Receipts Tax—Bad Debt Deduction**

Taxpayer asserts that it reported the proper amount of bad debts on its utility receipts tax return. Under IC § 6-2.3-5-2 "[e]ach taxable year, a taxpayer that reports the taxpayer's gross receipts on an accrual basis is entitled to deduct bad debts from the taxpayer's gross receipts in the same manner provided in IC 6-2.5-6-9." Bad debts previously deducted by a taxpayer are considered gross receipts of a taxpayer under § IC 6-2.3-1-4. Taxpayer has provided sufficient information to conclude that the figures it reported as a bad debt deduction and as bad debt recoveries on its original return were proper.

**FINDING**

Taxpayer's protest is sustained.